

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, April 21, 1937, at 10:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Broderick
Mr. Szymczak (afternoon session)
Mr. McKee
Mr. Davis

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the
Chairman
Mr. Wyatt, General Counsel
Mr. Dreibelbis, Assistant General Counsel
Mr. Koppang, Federal Reserve Examiner

Attention was directed to a memorandum dated April 14, 1937, from Mr. Morrill with respect to the cafeteria and dining rooms in the Board's new building.

In view of the fact that it appeared to be probable that the expense of operating the cafeteria and dining rooms would exceed the revenues therefrom, Mr. Wyatt was asked whether the Board could legally provide for the operation and absorb a loss therefrom. Mr. Wyatt stated that his office had studied the question and that he was satisfied that the Board had the legal authority to do so.

Mr. Davis moved that the Board authorize the operation of the cafeteria and dining rooms in the new building.

A majority of the members of the Board were of opinion that the prospective benefits to the efficiency of the Board's organization as a result of being enabled to obtain lunches without being subjected to

4/21/37

-2-

varying weather conditions and loss of time through the necessity of going outside of the building and possibly to a considerable distance, in view of the location of the building, would justify the proposed operation together with the absorption of such operating deficit as might be found to be unavoidable. In this connection it was pointed out that the Board and its organization participate from time to time in meetings such as those of the Federal Open Market Committee, the Presidents of the Federal reserve banks, the Federal Advisory Council, and representatives of the examining and other departments of the Federal reserve banks, and often have other conferences of an important nature, in connection with which much time could be saved and the conduct of the Board's business facilitated if luncheon accommodations were available in the building.

At the conclusion of the discussion, Mr. Davis' motion was put to a vote and carried, Mr. Ransom voting "no".

Mr. Ransom stated that he was convinced as a result of long experience with such matters that it would be found that any benefits that might accrue would be more than offset by the annoyance to the Board and its staff from operating problems as well as by the substantial losses that he believed to be inevitable.

It was agreed that, as Mr. Szymczak was expected to be present later in the day, he should be given an opportunity to record his vote. (Following Mr. Szymczak's entrance, the matter was called to his attention, and he stated that he was in full accord with the views of the

4/21/37

-3-

majority of the Board and therefore voted in favor of the motion made by Mr. Davis).

Mr. Broderick moved that the Board authorize the Personnel Committee to decide all questions arising hereafter in connection with the equipment and operation of the new building and the transfer of the Board's offices thereto.

Carried unanimously.

At this point Mr. Koppang withdrew from the meeting.

Reference was then made to a letter received under date of April 12, 1937, from Mr. Sproul, First Vice President of the Federal Reserve Bank of New York, reading as follows:

"We have to report to the Board an inadvertent departure from the existing Procedure with Respect to Foreign Relationships of Federal Reserve Banks (X-9774). In accordance with telephone instructions (subsequently confirmed by telegram, copies of which are enclosed), from the Bank of Canada, Ottawa, Canada, we have made the following purchases of government securities in this market for account of the Bank of Canada:

On March 19 \$5,000,000 United States Government
Treasury bills due June 9, 1937, at
.30% discount per annum.

On March 24 \$3,000,000 United States Government
Treasury bills due June 17, 1937,
at 3/8% discount per annum, and
\$2,000,000 United States Government
Treasury bills due June 23, 1937,
at 3/8% discount per annum.

"While no reference was made to the matter in connection with these transactions, they are covered, of course, by that section of the terms and conditions of the account of the Bank of Canada with this bank (our letter of January 26, 1935), which states that:

'with respect to any United States Government securities which we purchase for you with a maturity not exceeding one year, we agree that we will, if requested at any time before maturity, either (1) pur-

4/21/37

-4-

"chase such securities from you at the prices we are then paying for such securities, provided we are then in the market to buy such securities, or (2) at our option, sell such securities in the market for your account at the best prices obtainable.'

Transactions of this type, in turn, you have recently advised us are intended to be covered by section 3, subsection d of the existing Procedure with Respect to Foreign Relationships of Federal Reserve Banks. The prior permission of the Board should, therefore, have been secured before these transactions were consummated, and we regret that this was overlooked by those who executed the orders of the Bank of Canada.

"The promptness with which these orders had to be executed, of course, contributed to the failure to observe the requirements of the newly established procedure. Because most such transactions require prompt execution, we assume that as stated in your letter of February 9, 1937, relating to purchases of bankers acceptances for the account of foreign central banks, you recognize that the Federal reserve banks should be in a position to act upon such requests of foreign central banks without being under the necessity of referring each specific case to the Board before the transaction is executed. We respectfully request, therefore, that appropriate authority be given to this bank, in accordance with the terms and conditions of existing agreements covering accounts maintained with it by foreign central banks, to purchase United States Government securities for the account of such foreign central banks, including the Bank for International Settlements, with our agreement, if requested at any time before maturity, to repurchase the securities or, at our option, to sell them in the market.

"It is understood by us that we cannot and will not exercise what would be our option to purchase government securities from foreign central banks, including the Bank for International Settlements, under this arrangement, unless such purchase has been authorized by the Federal Open Market Committee by appropriate action in effect at the time of the purchase."

Copies of the letter, together with copies of a memorandum dated April 15, 1937, from Mr. Dreibelbis referring to the action taken by the Board on February 9, 1937, with respect to the purchase by the New York bank of bankers acceptances for foreign central banks having

4/21/37

-5-

correspondent agreements with the Federal reserve bank with the agreement of the reserve bank to repurchase the acceptances or sell them in the open market had been furnished to all members of the Board.

After a discussion, Mr. Broderick moved that the Board authorize the Federal Reserve Bank of New York, subject to the regulations and directions of the Federal Open Market Committee, to make purchases of Government securities, up to an amount aggregating \$50,000,000 outstanding at any one time, for the account of foreign central banks which carry accounts at the New York bank, with an agreement on the part of the reserve bank to repurchase the securities or at its option, to sell them in the market, and that the Board approve the purchases of Government securities which had been made for the account of the Bank of Canada as set forth in Mr. Sproul's letter.

Carried unanimously.

Mr. Ransom stated that he was leaving Washington on April 23 to be away until about May 1, but that he could return on a day's notice, and that, should any action be contemplated by the Board during that period with respect to reserve requirements of member banks he would like to be advised, so that he could be present at the meeting at which the matter would be considered.

The meeting recessed at 1:30 p. m. and reconvened at 2:50 p. m. with the same attendance as at the time of recess, Mr. Szymczak also being present.

Consideration was given to a letter received from Chairman Nardin of the Federal Reserve Bank of St. Louis under date of March 9, 1937, referring to the Board's letter of January 21, 1937, with respect to the

4/21/37

-6-

retirement of officers and employees of Federal reserve banks who have attained the age of 65 years and submitting the unanimous request of the board of directors of the bank that the Board approve the continuation of the employment by the St. Louis bank beyond the end of the current year of Mr. James G. McConkey, Vice President and General Counsel, who will become 68 years of age in July. It was agreed that in view of the policy set forth in the Board's letter of January 21, 1937, Chairman Eccles should discuss the matter with Mr. Nardin over the telephone before action was taken.

At this point Messrs. Thurston, Wyatt and Dreibelbis left the meeting and consideration was then given to each of the matters herein after referred to and the action stated with respect thereto was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on April 20, 1937, were approved unanimously.

Telegrams to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the San Francisco bank on April 20, 1937, and by the Philadelphia, St. Louis, and Kansas City banks today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

4/21/37

-7-

Letter to Mr. Harrison, President of the Federal Reserve Bank of New York, reading as follows:

"The proposed personnel classification plan of the Federal Reserve Bank of New York submitted with Mr. Sailer's letter of October 7, 1936, as revised in accordance with his letter of December 21, 1936, is approved by the Board of Governors except as follows:

After considering the information submitted in regard to the position, Chief, Administration Division, the Board has deferred action on the proposed increase from \$5,000 to \$6,000 in the maximum salary for this position.

In view of the fact that it is not contemplated to fill the proposed new position of Assistant Chief Examiner at this time, the Board believes it would be preferable not to provide for this position in the personnel classification plan at this time; but the Board will be glad to consider the matter whenever the bank feels the necessity of having an Assistant Chief Examiner.

With respect to the position of Chief, Post Office Division, the Board approves a maximum salary of \$4,500 for this position as suggested in Mr. Round's letter of March 19, 1937, instead of a maximum of \$5,000 as originally proposed.

The Board has directed that a survey be made of the legal divisions of the Federal Reserve banks and, pending completion of the survey, has deferred action on the proposed increases in the maximum salaries for the positions of Senior Law Clerk and Law Clerk.

Proposed increases in the maximum salaries for the positions of Purchasing Agent and Assistant Superintendent of Bank Building have not been approved as it is understood that the present maximums fairly represent the maximum salaries that would ordinarily be paid to persons occupying these positions. The procedure which should be followed in case it is desired to pay employees salaries in excess of the maximums provided in the personnel classification plan is set forth in the following paragraph.

"In Mr. Round's letter of March 19 the question is raised whether, as a matter of policy, it is desirable to increase the maximum salary for any position with a view to taking care of a present incumbent or whether it would be preferable, in a limited number of cases, to approve salaries for present incumbents in excess of the maximums prescribed. The

4/21/37

-8-

"Board is of the opinion that the maximum salary provided in the personnel classification plan for each position should be the maximum which the bank would ordinarily expect to pay a person occupying the position. It should not be fixed with the view of taking care of an exceptional case where, due to some unusual circumstances, the payment of a higher salary would seem warranted. In any case where an employee's value to the bank is thought to warrant payment of a salary in excess of the maximum provided in the Personnel Classification Plan for the position occupied, a request for approval of the payment of such higher salary should be submitted to the Board accompanied by a statement of the reasons therefor.

"It will be appreciated if you will forward to the Board at your early convenience revised pages of Form A covering the above-mentioned positions.

"In connection with the positions of Assistant and Alternate Assistant Federal Reserve Agent, the Board is of the opinion that the description of work shown for such positions should be uniform throughout the System, and with this thought in mind has approved a standard description of work for these positions. A revised Form A page number 409 covering these positions is attached, which you are requested to substitute for page number 409 in the personnel classification plan of your bank as submitted to the Board. Since provision is made on this page for the position of Alternate Assistant Federal Reserve Agent, page number 410 included in your plan should be eliminated. Corresponding changes have been made in the Board's copy of this plan."

Approved unanimously.

Letter to Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, prepared in accordance with the action taken at the meeting of the Board on April 9, 1937, and reading as follows:

"This refers to your letter of March 10, 1937, in reply to the Board's letter of February 23 with respect to the reappointment by your board of directors of Mr. E. O. Howard to serve as a director of the Salt Lake City Branch for the two years beginning January 1, 1937.

"The Board has considered this entire matter in the light of the information contained in your letter of March 10, 1937, including your statements with respect to the period of service of other directors of the Branch, and has requested me to advise you that it regrets that its

4/21/37

-9-

"press statement of December 4, 1935, was misconstrued by your directors, but that it feels that it would not be justified in excepting Mr. Howard's appointment from the operation of the regulation with respect to the appointment of directors of branches of Federal reserve banks, especially in view of the fact that the Board has made no such exceptions and in fact in another case has advised a Federal Reserve Bank that a proposed appointment would be contrary to the regulation, as a result of which the appointment was not made. The Board will appreciate it if you will bring this letter to the attention of the directors of your bank at their next meeting."

Approved unanimously.

Letter to the board of directors of the "Capac State Savings Bank", Capac, Michigan, stating that, subject to the conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures."

Approved unanimously, together with a letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Capac State Savings Bank', Capac, Michigan, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Commissioner of the Banking Department of the State of Michigan for his information.

4/21/37

-10-

"It has been noted from the presentation memorandum accompanying the application that you will call the bank's attention to the necessity of writing down to call price those bonds carried in excess thereof, and to the fact that accounts which do not qualify as savings accounts under the provisions of the Board's regulations should be carried in some other manner.

"The papers submitted with the bank's application did not include a copy of the agreement entered into by the Capac Depositors Corporation and the bank at the time of its reorganization in 1934. It will be appreciated if you will forward a copy of this agreement to the Board, in order that its records covering the bank's reorganization may be complete."

Letter to the board of directors of the "State Bank of DeKalb", DeKalb, Texas, stating that, subject to the conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Dallas.

Approved unanimously, together with a letter to Mr. McKinney, President of the Federal Reserve Bank of Dallas, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'State Bank of DeKalb', DeKalb, Texas, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Banking Commissioner of the State of Texas for his information.

"It has been noted from the presentation memorandum accompanying the application that the bank, upon being admitted to membership, will reduce its deposit with a nonmember bank carried in excess of 10 per cent of its capital and surplus to the required limit.

"The papers submitted with the application of this bank did not include a copy of the agreement under which it assumed

4/21/37

-11-

"the deposit liabilities of the First National Bank at DeKalb. It will be appreciated if you will forward a copy of this agreement to the Board, in order that its records may be complete."

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"There is inclosed, for your information, a copy of a letter dated April 14, 1937, received from Mr. B. T. McCoy, chairman of the program committee of the North Baltimore Kiwanis Club, Baltimore, Maryland, together with a copy of the Board's reply thereto of this date, both of which are self-explanatory.

"Since it appears from Mr. Powell's letter of March 1, 1937, quoted by Mr. McCoy, that your bank would expect to take up with the Board of Governors any requests for bookings of the film in other Federal reserve districts, it should be stated for your information that the Board has no objection to your furnishing copies of the film for showing in any other Federal reserve district subject to the approval of the local Federal reserve bank. In the instant case it is assumed that you would wish to clear the matter with the Federal Reserve Bank of Richmond before making any commitments to provide a film for showing before appropriate groups in Baltimore, Maryland."

Approved unanimously.

Thereupon the meeting adjourned.

Chesee Morie
Secretary.

Approved:

W. S. ...
Chairman.